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**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
MINUTES OF MEETING  
May 17, 2006**

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A meeting of the Board of Administration was held on Wednesday, May 17, 2006, CalPERS Auditorium, Lincoln Plaza North, 400 Q Street, Sacramento, California.

Board President Rob Fecker called the meeting to order at 9:14 a.m.

The Secretary called the roll and the following Board members were present:

Rob Feckner, President  
Robert Carlson, Vice President  
James Zerio representing Philip Angelides  
Marjorie Berte  
George Diehr  
Debbie Endsley representing Michael Navarro  
Tony Oliveira  
Michael Quevedo  
Kurato Shimada  
Maeley Tom  
Charles Valdes  
Nick Smith representing Steve Westly

Priya Sara Mathur, excused

**AGENDA ITEM 3 – ANNOUNCEMENT OF CLOSED SESSION**

President Feckner announced there will be no closed session.

**AGENDA ITEM 4 – APPROVAL OF THE APRIL 19, 2006 MEETING MINUTES**

**ON MOTION** by Mr. Smith, **SECONDED** and **CARRIED**, the Board approved the April 19, 2006 meeting minutes.

**AGENDA ITEM 5 – CHIEF INVESTMENT OFFICER'S/ASSISTANT EXECUTIVE OFFICER'S REPORT**

Anne Stausboll, Interim Chief Investment Officer presented this report to the Board.

The total fund value as of May 11, 2006 was \$211.6 billion. The total fund value on April 30 was \$211.1 billion. The total fund return for the fiscal year to date is 14.3%, compared to the benchmark of 12.8%. The total fund return for the 12 months ending April 30, 2006 was 19.0%, against a benchmark of 16.6%.

## **AGENDA ITEM 6 – INVESTMENT COMMITTEE**

Charles Valdes, Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Monday, May 15, 2006.

Additional information may be found in May 15, 2006 agenda materials and/or transcripts of the Committee meeting.

The Board accepted the Committee Summary report (attached).

The next Committee meeting is scheduled for June 19, 2006 in Sacramento, California.

## **AGENDA ITEM 7 – BENEFIT AND PROGRAM ADMINISTRATION COMMITTEE**

Kurato Shimada, Chair, Benefit and Program Administration Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, May 16, 2006.

Additional information may be found in the May 16, 2006 agenda materials and/or transcripts of the Committee meeting.

On motions by the Committee, the Board approved the following:

- ◆ Reimburse Board Member Valdes' employer, CalTRANS, the amount of \$535,928 for the period of April 1, 2003 to March 31, 2006. Maeley Tom, Marjorie Berte, and James Zerio abstained.
- ◆ Reimburse Board Member Mathur's employer, BART, the amount of \$197,377.75 for the period of April 1, 2005 to March 31, 2007. Maeley Tom and James Zerio abstained.
- ◆ Reimburse Board Member Diehr's employer, California State University, San Marcos, the amount of \$96,311 for the period of April 1, 2006 to March 31, 2007. Maeley Tom and James Zerio abstained.
- ◆ Reimburse Board Member Feckner's employer, Napa Valley Unified School District, the amount of \$15,804.92 for the period of April 1, 2006 to March 31, 2007. Maeley Tom and James Zerio abstained.
- ◆ Neutral position on AB 2351
- ◆ Support position on AB 2438
- ◆ Neutral position on AB 2795. Debbie Endsley voted no.
- ◆ Neutral position on AB 2945. Debbie Endsley abstained.
- ◆ June 30, 2005 Legislators' Retirement System Actuarial Valuation Report and transmittal letter to the Governor with adoption of an employer contribution of \$0 as well as a 0% contribution rate for all members for the period of July 1, 2006 to June 30, 2007.
- ◆ Employer contribution rates for the State and Schools time period July 1, 2006 to June 30, 2007.
- ◆ June 30, 2005 actuarial valuation report for the Public Agencies and State and Schools and employer and employee monthly premiums for fiscal year 2006-2007.
- ◆ Postpone the reporting of the 2004/2005 State Employers' Industrial Disability Cost Report to 2007.

The next Committee meeting is scheduled for June 20, 2006 in Sacramento, California.

## **AGENDA ITEM 8 – HEALTH COMMITTEE**

George Diehr, Chair, Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, May 16, 2006.

Additional information may be found in the May 16, 2006 agenda materials and/or transcripts of the Committee meeting.

On motions by the Committee, the Board approved the following:

- ◆ Support position on AB 2242
- ◆ Increase for one year only, in the Contracting Agencies' Contingency Reserve Fund Administrative Fee from the proposed rate of 0.27% to 0.44% for fiscal year 2006/2007.
- ◆ Proposed 2006 Long-Term Care Program premium rates as recommended by the Long-Term Care Advisory Committee.

The next Committee meeting is scheduled for June 20, 2006 in Sacramento, California.

## **AGENDA ITEM 9 – FINANCE COMMITTEE**

Robert Carlson, Chair, Finance Committee, reported that the Committee did not meet this month.

## **AGENDA ITEM 10 – PERFORMANCE AND COMPENSATION COMMITTEE**

Tony Oliveira, Vice Chair, Performance and Compensation Committee, presented the Committee Summary report to the Board. The Committee met on Friday, May 12, 2006.

Additional information may be found in the May 12, 2006 agenda materials and/or transcripts of the Committee meeting.

On motions by the Committee, the Board approved the following:

- ◆ New base salary range for the Chief Executive Officer and the Chief Actuary by increasing the current base salary range by 6%.
- ◆ New base salary range for the Chief Investment Officer, Senior Investment Officers, Senior Portfolio Managers, and Portfolio Managers by increasing the base salary ranges by 7%. Debbie Endsley and James Zerio abstained.
- ◆ Performance Plan for the Portfolio Manager, Real Estate.
- ◆ Third quarter status reports on the Performance Plans of the Chief Actuary and Senior Investment Officers.
- ◆ Proposed changes in the Performance Plans of the Senior Investment Officers.

The next Committee meeting is scheduled for June 16, 2006 in Sacramento, California.

## **AGENDA ITEM 11 – AD HOC BOARD GOVERNANCE COMMITTEE**

Rob Feckner, Chair, Ad Hoc Board Governance Committee, presented the Committee Summary report to the Board. The Committee met on Monday, May 15, 2006.

Additional information may be found in the May 15, 2006 agenda materials and/or transcripts of the Committee meeting.

The next Committee meeting is scheduled for June 19, 2006 in Sacramento, California.

## **AGENDA ITEM 12– BOARD MEETING CALENDAR**

Fred Buenrostro reported the meeting calendar was submitted.

## **AGENDA ITEM 13 – CHIEF EXECUTIVE OFFICER’S REPORT**

Mr. Buenrostro spoke on the April 24 and 25 Diversity Conference cosponsored with CalSTRS in San Jose. 575 people were in attendance including 191 emerging managers and 204 minority managers along with representation by public pension funds, private equity managers, real estate managers, venture capitalists, equity managers, broker dealers.

CalPERS participated in the March of Dimes Walk-a-Thon with 60 walkers. Nicole Horning and Marilyn Gentry were recognized for their efforts. CalPERS also participated in the Susan B. Komen Breast Cancer Foundation Race for the Cure. Mary Morris and Becky Rogers were recognized for their efforts. Gloria Moore Andrews was CalPERS Executive Sponsor.

CalPERS received an Environmental Recognition Award in providing leadership for the protection and enhancement of the environment. CalPERS also received a Flex Your Power Award, recognized for overall investment strategies, including corporate governance, public and private equity and real estate, efforts in energy conservation, and achievements in building the headquarters expansion project.

## **AGENDA ITEM 14 – BOARD’S STATE LEGISLATIVE PROGRAM/BOARD’S POSITION ON STATE LEGISLATION**

Lisa Hammond, CalPERS staff, reported that all CalPERS sponsored bills moved through the Policy Committees. All legislation that CalPERS adopted a support position has moved through the Policy Committees. AB 1961, of which the Board adopted an oppose position, did not make it out of Policy Committee.

## **AGENDA ITEM 15– BOARD’S FEDERAL LEGISLATIVE PROGRAM/BOARD’S POSITION ON FEDERAL LEGISLATION**

Jarvio Grevious reported on the formation of the National Public Sector Health Care Roundtable. This Roundtable gives voice to common concerns in Congress and other venues at the federal level and also gives the opportunity to share best practices amongst the member agencies. Membership

includes the Colorado Public Employees' Retirement Association, Michigan State Employees' Retirement Association, Ohio PERS, Ohio STRS, and the Ohio School Employees' Association, State of Kentucky, and State of Texas. Jarvio serves as the Executive Officer.

Tom Lussier, CalPERS federal lobbyist, reported on the apprehension in Washington as to whether or not the pension reform legislation will advance. The Health Plan bill of which the Board adopted an oppose position was killed in the Senate. Health Care IT is now the top of the House list for possible actions in the coming weeks. Other items reported on included incentives for generic drug use, unnecessary patent extensions, health savings account transparency, investments issues, and the Sudan.

#### **AGENDA ITEM 16 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES**

**ON MOTION** by Mr. Diehr, **SECONDED** and **CARRIED**, the Board adopted staff's recommendations on items 16A through 16D.

#### **AGENDA ITEM 17 – GENERAL COUNSEL REPORT**

Peter Mixon noted the new case report and monthly matrix.

#### **AGENDA ITEM 18 – BOARD TRAVEL APPROVALS**

**ON MOTION** by Ms. Berte, **SECONDED** and **CARRIED**, the Board approved the travel requests.

#### **AGENDA ITEM 20 – DRAFT AGENDA FOR JUNE 21, 2006 MEETING**

The Board accepted the draft agenda.

There being nothing further to come before the Board of Administration, the meeting adjourned at 10:15 a.m.